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December 30, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM:

Wendy L. Watanabe
Auditor-Controller

*Wendy L. Watanabe
by
Schneiderman*

SUBJECT: **WATTS LABOR COMMUNITY ACTION COMMITTEE - A COMMUNITY
AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDER - CONTRACT COMPLIANCE REVIEW - FISCAL
YEAR 2010-11**

We completed a review of Watts Labor Community Action Committee (WLCAC or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Youth Program provider. Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21. CSS paid WLCAC \$84,985 on a cost-reimbursement basis for FY 2010-11. WLCAC serves participants residing in the Second Supervisorial District.

The purpose of our review was to determine whether WLCAC provided WIA services in compliance with the Program requirements and their County contract.

Results of Review

WLCAC billed CSS \$10,957 in questioned costs, and did not always comply with other WIA and County requirements. Specifically, WLCAC:

- Did not obtain the federal government's approval of the rate the Agency used to bill CSS for its indirect costs. As a result, the Agency could not support \$10,267 in indirect costs (\$3,344 in FY 2009-10 and \$6,923 for July 2010 through January 2011) billed to CSS.

WLCAC's attached response indicates that they agree with this finding, and that they are recalculating their indirect cost billings and will repay CSS any overbilled amounts.

- Did not always use their Cost Allocation Plan to allocate shared expenditures. The questioned costs totaled \$690.

After our review, the Agency reimbursed CSS \$628 and agreed to repay the remaining \$62.

- Did not maintain signed WIA Complaint and Resolution Policies and Procedures Participant Acceptance Forms as required by County Directive LACOD-WIAD08-36 for any of the ten participants we reviewed.

WLCAC's attached response indicates that all participant files will be continually checked by the Program coordinator to ensure compliance.

- Did not post their Grievance and Complaint Procedures in a public location as required by County Directives WIAADM D-10-04 and LACOD-WIAD08-43.

WLCAC's attached response indicates that Grievance and Complaint Procedures have been posted in public places as required, and that the Program coordinator will ensure that they are kept current.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with WLCAC and CSS. WLCAC's attached response indicates they agree with our recommendations and will implement them.

We thank WLCAC for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:EB:bh

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Timothy Watkins, President, Chief Executive Officer, WLCAC
Elton Blake, Program Director, WLCAC
Public Information Office
Audit Committee

**WATTS LABOR COMMUNITY ACTION COMMITTEE
WORKFORCE INVESTMENT ACT PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2010-11**

ELIGIBILITY

Objective

Determine whether Watts Labor Community Action Committee (WLCAC or Agency) provided services to individuals who met the eligibility requirements of the Workforce Investment Act (WIA) Youth Program.

Verification

We reviewed the case files for ten (67%) of the 15 participants who received services from July 2010 through February 2011 for documentation to confirm their eligibility for WIA services.

Results

WLCAC had appropriate documentation to support the eligibility of the ten participants reviewed.

Recommendation

None.

BILLED SERVICES/PARTICIPANT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the case files for ten (67%) participants who received services from July 2010 through February 2011.

Results

WLCAC provided the services in accordance with the County contract and WIA guidelines. However, WLCAC:

- Did not have signed WIA Complaint and Resolution Policies and Procedures Participant Acceptance Forms as required by County Directive LACOD-WIAD08-36 for any of the ten participants reviewed.
- Completed the Individual Service Strategy for one (10%) of the ten participants reviewed before establishing the participant's Program eligibility. County Directive WIA YD10-01 requires that all youth participants be determined eligible for Program services before a Service Strategy is prepared.

Recommendations**WLCAC management:**

1. Ensure that all required forms are signed and kept in the participants' case files.
2. Ensure that an Individual Service Strategy is completed only after a determination of eligibility is made.

CASH/REVENUE**Objective**

Determine whether WCLAC deposited cash receipts timely, and recorded revenue properly in the Agency's records.

Verification

We interviewed Agency personnel, and reviewed financial records. We also reviewed the Agency's bank activity for December 2010 and January 2011.

Results

WLCAC deposited cash timely, and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether WLCAC's Cost Allocation Plan was prepared in compliance with the County contract, and used to allocate shared expenses appropriately.

Verification

We reviewed WLCAC's Cost Allocation Plan. We also reviewed a sample of transactions as noted in the Close-Out Review section of this report.

Results

WLCAC's Cost Allocation Plan was prepared in compliance with the County contract.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether expenditures charged to the WIA Program are allowable under the County contract, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records and documentation for two non-payroll expenditures billed by the Agency for December 2010 and January 2011, totaling \$2,628.

Results

WLCAC did not provide documentation that the federal government had approved the indirect cost rate the Agency used to bill indirect expenses to CSS. Specifically, between July 2010 through January 2011, WLCAC billed CSS \$6,923 in unsupported indirect expenditures. A similar finding was noted in our prior review of the Agency.

A-C Handbook Part C, Section 2.4 states "the contractor must submit a Cost Allocation Plan to the federal agency providing the most funds to the organization. If the Contractor has a negotiated indirect cost rate approved by a federal agency, it shall submit a copy of the approval letter when requested by County."

Recommendations**WLCAC management:**

- 3. Repay CSS \$6,923, plus unsupported indirect costs billed to CSS from February 2011 to June 2011, or provide documentation to support the costs billed.**

4. **Maintain adequate documentation to support the Program expenditures.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objectives

Determine whether the Agency had adequate internal controls over its expenditures, payroll, and personnel transactions. Determine whether the Agency was in compliance with Program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested expenditures, payroll, and personnel transactions.

Results

WLCAC generally maintained adequate internal controls over its business operations, and complied with other Program and administrative requirements. However, WLCAC did not post their Grievance and Complaint Procedures in a public location as required by County Directives WIAADM D-10-04 and WIAD08-43.

Recommendation

5. **WLCAC management post all required notices in a public location, and ensure they are current.**

PAYROLL AND PERSONNEL

Objectives

Determine whether payroll expenditures were appropriately charged to the WIA Program. In addition, determine whether the Agency verified employability, and maintained current driver's licenses, and proof of automobile insurance for new employees assigned to the WIA Program.

Verification

We traced the payroll expenditures for four employees, totaling \$3,648, for January 2011 to the Agency's payroll records and time reports. We also reviewed the personnel file for one employee assigned to the WIA Program.

Results

WLCAC appropriately charged payroll expenditures to the WIA Program. In addition, the Agency maintained the required documentation for the employee reviewed.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2009-10 final close-out invoice for the WIA Youth Program reconciled to the Agency's accounting records.

Verification

We traced WLCAC's final close-out invoice for FY 2009-10 to the Agency's accounting records for FY 2009-10. We also reviewed a sample of shared expenditures, totaling \$3,101.

Results

WLCAC's FY 2009-10 close-out invoice reconciled to the Agency's accounting records. However, as previously noted, WLCAC did not provide documentation that the federal government had approved the indirect cost rate the Agency used to charge indirect expenses to CSS. Our review of the close-out invoice identified \$3,344 in unsupported indirect expenditures.

In addition, WLCAC did not always follow their Cost Allocation Plan when allocating shared expenditures. The questioned costs totaled \$690. After our review, the WLCAC reimbursed CSS \$628, and indicated that they would repay the remaining \$62 in questioned costs.

Recommendations**WLCAC management:**

- 6. Repay CSS \$3,344, or obtain approval from the federal government for the indirect cost rate used.**
- 7. Repay CSS \$62 (\$690 - \$628) in shared expenditures.**
- 8. Ensure that shared expenditures are appropriately allocated among all benefiting programs in accordance with the Cost Allocation Plan.**



WATTS LABOR COMMUNITY ACTION COMMITTEE

"Changing the face of a community... Moving the lives of a people"

10950 South Central Avenue, Los Angeles, California 90059 • Telephone 323.563.5639 • Facsimile 323.923.1474

July 20, 2011

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1965-1993

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DIRECTORS EMERITI:
BERNICE WATKINS

ELIZABETH "PAT" EASTMAN

Don Chadwick, Division Chief
Department of Auditors-Controller
Countywide Contract Monitoring Division
350 S. Figueroa street; 8th Floor
Los Angeles, CA 90071

Attention: Brian Hendricks

**RE: WATTS LABOR COMMUNITY ACTION COMMITTEE (WLCAC) – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT ACT
PROGRAM PROVIDED- CONTRACT COMPLIANCE REVIEW – FISCAL
YEAR 2011-10.**

This letter is WLCAC's in response to the above mention fiscal year 2010-11
contract compliance review.

We thank your staff for their assistance in this review. Please call the program
Director, Elton Blake at (323) 563-5683 or e-malleblake@wlcac.org if you have
any questions.

Sincerely:

Timothy Watkins
President/CEO

"Great things are happening in Watts!"
www.wlcac.org

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CORRECTIVE ACTION PLAN

Objective	Results	Recommendation	Agency Response	Time Frame
<p>BILLED SERVICES/PARTICIPANT VERIFICATION</p> <p>Objective: Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.</p> <p>Verification: We reviewed documentation in the case file for ten (67%) participants who received services from July 2010 through February 2011</p>	<p>Results: Generally, WLCAC provided the services in accordance with the County contract and WIA guidelines. However, WLCAC:</p> <ul style="list-style-type: none"> Did not maintain signed WIA Compliant and Resolution Policies and Procedures Participant Acceptance Forms for all ten (100%) participants sampled as required by County Directive LACOD-WIAD08-36. Completed the Individual Service Strategy prior to determination of eligibility was established and the participant was enrolled in the program for one (10%) of the ten participants sampled. County Directive WIA YD10-01 requires that all youth participants must be registered and the necessary information must be collected to support a determination of eligibility before eligible youth are to be provided an objective assessment. 	<p>WLCAC management:</p> <ol style="list-style-type: none"> Ensure that all required forms are signed and maintained in the participant case files. Ensure that an Individual Service Strategy is provided only after a determination of eligibility is established and the participant is enrolled in the program. 	<ol style="list-style-type: none"> WLCAC concur with your recommendation. All files will be continually checked by the Program Coordinator to ensure compliance. See above 	ONGOING
<p>EXPENDITURES/PROCUREMENT</p> <p>Objective: Determine whether expenditures charged to the WIA program are allowable under the County contract, documented properly and billed accurately.</p> <p>Verification: We interviewed Agency personnel and reviewed financial records and documentation for two non-payroll expenditure transactions billed by the Agency for December 2010 and January 2011, totaling \$2,628</p>	<p>Results: WLCAC did not maintain adequate documentation to support how their indirect cost rate was calculated and did not have an approval letter from a federal agency to support the indirect expenditure as required.</p> <p>WLCAC submitted the City of Los Angeles' tentative indirect cost rate approval letter. However, according to Part C, Section 2.4 of the A-C Handbook "the Contractor must submit a Cost Allocation Plan to the federal agency providing the most funds to the organization. If the Contractor has a negotiated indirect cost rate approved by a <i>federal agency</i>, it shall submit a copy of the approval letter when required by County." As a result, for the period of July 2010 through January 2011, WLCAC billed CSS \$6,923 in unsupported</p>	<p>WLCAC management:</p> <ol style="list-style-type: none"> Repay CSS \$6,923 plus subsequent months' unsupported indirect expenditures or provide adequate documentation to support the expenditures. Maintain adequate documentation to support the program expenditures. 	WLCAC is in process of resolving this issue.	August, 2011

WLCAC- County PY10-11 Corrective Action

July 14, 2011

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CORRECTIVE ACTION PLAN

Objective	Results	Recommendation	Agency Response	Time Frame
ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE Objective: Determine whether the Agency had adequate internal controls over its expenditures, payroll and personnel transactions. In addition, determine whether the Agency was in compliance with program and administrative requirements. Verification: We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested expenditures, payroll and personnel transactions.	Results: Generally, WLCAC maintained sufficient internal control over its business operations and complied with other program and administrative requirements. However, WLCAC did not post their Grievance and Complaint Procedures in a public location as required by County Directives WIAADM D-10-04 and LACOD-WIAD08-43	5. WLCAC management post all required public postings in a public location and ensure they are current.	5. Required posting in public places have been posted. The Program Coordinator will ensure that they are kept current	Done/ Ongoing
CLOSE-OUT REVIEW Objective: Determine whether the Agency's Fiscal Year (FY) 2009-2010 final close-out invoices for the WIA Youth Program reconciled to the Agency's accounting records. Verification: We traced WLCAC's FY 2009-10 accounting records to the Agency's final close-out invoice for FY 2009-10. We also reviewed a sample of expenditures incurred in October 2009 and May and June 2010, totaling \$3,101.	Results: WLCAC's FY 2009-10 accounting records reconciled to the Agency's FY 2009-10 final close-out invoices. However, for FY 2009-10, WLCAC did not maintain adequate documentation, such as an indirect cost rate approval letter from a federal agency, to support \$6,753 in indirect expenditures. In addition, WLCAC did not allocate shared program expenditures, such as office supplies, based on documented benefits to each program as required by their Cost Allocation Plan. The questioned costs totaled \$690. A similar finding was noted in the prior year's review. After our review, the WLCAC reimbursed CSS \$628.	WLCAC management: 6. Repay CSS \$3,344 or provide adequate documentation to support the expenditures. 7. Reallocate \$62 (\$690-\$628) in shared expenditures among the benefited programs as required by their Cost Allocation Plan and repay CSS for amounts overbilled to the WIA youth Program. 8. Ensure that shared expenditures are appropriately allocated among all benefitting programs in accordance with the Cost Allocation Plan.	6. WLCAC concurs with this finding and is in process of resolving it with CSS. 7. WLCAC will forward a check for \$62.00 to CSS. 8. Future expenditures for County benefit programs will be invoiced separately with backup support	Ongoing

WLCAC- County PY10-11 Corrective Action

July 14, 2011

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